



Council Communication

Office of the City Manager

Date

April 10, 2006

Agenda Item No. 38

Roll Call No. 06-

Communication No. 06-203

Submitted by: Larry Hulse, Community
Development Director

AGENDA HEADING:

Approval of agreement to commit funds to Community Housing Development Corporation (CHDC) for development of a single family home at 1317 Clark.

SYNOPSIS:

Approval of an agreement to commit HOME Investments Partnership Program (HOME) funds for construction of a single family house in the King Irving Neighborhood with Community Housing Development Corporation (CHDC) as the developer. The commitment allows utilization of 2004 HOME funds to further the new construction goals of the King Irving Neighborhood Action Plan and provides affordable home ownership within Des Moines.

FISCAL IMPACT:

Amount: \$152,000

Funding Source: 2005-2006 Operating Budget: HOME Entitlement Dollars, Page 315.

ADDITIONAL INFORMATION:

By Roll Call 06-359 on March 6th 2006, the City Council assigned the tax sale certificate for 1317 Clark Street to CHDC. By Roll Call 06-643 on March 20th, 2006, the City Council reviewed plans for a house to be built at 1317 Clark in conformance with the City's New Construction Program. The City Council review adhered to the City's standard program of providing developer "gap financing". Gap financing is defined as the difference between the cost of building the house and the appraised value of the completed house. In 2005 the average amount of City subsidy for the gap finance was \$18,000, although the gap was as high as \$30,000 for houses in the King Irving Neighborhood.

CHDC is requesting construction financing for the development of a single-family home at 1317 Clark Street in the amount of \$152,000. The use of HOME funds for the construction financing will result in a savings in interest and holding costs for CHDC during the construction and sale of the home. The home will be sold to a qualified applicant whose income is below 80% of median income for a price at or

below the appraised value. A portion of the \$152,000 of HOME funds will be permanently used for the gap between the construction cost and the appraised value. Additional HOME money may be used in order to make the house affordable to the homeowner.

CHDC is certified as a Community Housing Development Organization (CHDO) under the HOME program because of the structure of its board and its outreach to the community. Cities participating in the HOME Program are required to set aside a minimum of 15% of their HOME allocation for use by CHDO's. The HOME Final Rule at 24 CFR 92.300(a)(2) gives participating jurisdictions the option of permitting CHDO's to retain any or part of the proceeds resulting from the CHDO's investment of its CHDO set-aside funds. This rule includes allowing a CHDO to retain any proceeds remaining after the sale of a home that has been subsidized by HOME funds.

CHDC has also made a request to retain the project proceeds from the sale of the home at 1317 Clark to be applied toward the construction of two future single-family affordable homes. The reuse of these funds for construction financing will save CHDC several thousand dollars in construction interest, making homes more affordable for the homeowner. Any proceeds from the sale of the additional two houses may be used by CHDC for additional new construction, home rehabilitation, or administration of the agency. The Approval to Commit Funds Agreement does not include action on allowing CHDC to retain proceeds but CHDC is requesting this be included in the final contract.

Under the HOME rules, a participating jurisdiction has 24 months to commit its annual HOME allocation and 60 months in which to spend the funding. Commitment must be in the form of a written agreement. The City's Community Development Department was notified by the U.S. Department of Housing and Urban Development that the City needed to commit \$380,000 of 2004 HOME funds by April 30, 2004 or lose the funds. The approval of this agreement with CHDC commits \$152,000 of these funds. On the April 24th City Council agenda will be an Agreement to Commit Funds for \$250,000 to Community Housing Investment, a nonprofit organization, for renovation of units to be purchased from the City's Municipal Housing Agency.

PREVIOUS COUNCIL ACTION(S):

Date: March 6, 2006

Roll Call Number: 06-463

Action: Receive and file proposals for 23 single-family houses as part of the 2006 New Construction Program. (Council Communication No. 06-112) Moved by Vlassis to adopt. Motion Carried 6-1. Absent: Hensley

Date: February 20, 2006

Roll Call Number: 06-359

Action: Assignment of Tax Sale Certificates for six properties -- three to Greater Des Moines Habitat for Humanity and three to Community Housing Development Corporation. (Council Communication No. 06-089) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Final agreement with CHDC concerning the commitment of \$152,000 of financing for construction of a single-family house at 1317 Clark Street and agreement on how to expend any proceeds from the commitment.